

MEETING SUMMARY

**SENATE INTERIM COMMITTEE ON EDUCATION
HOUSE INTERIM COMMITTEE ON EDUCATION
and the
STATE AND PUBLIC SCHOOL LIFE AND HEALTH INSURANCE PROGRAM
LEGISLATIVE TASK FORCE**

MEETING JOINTLY

Tuesday, June 10, 2014

9:00 A.M.

**Committee Room A, MAC Building
Little Rock, Arkansas**

Senator Johnny Key, the Chair of the Senate Interim Committee on Education, called the meeting to order at 9:00 a.m.

MEMBERS OF THE SENATE INTERIM COMMITTEE ON EDUCATION IN ATTENDANCE: Senator Johnny Key, Chair; Senator Joyce Elliott, Vice Chair; Senator Jim Hendren; Senator Uvalde Lindsey; and Senator Jason Rapert.

MEMBERS OF THE HOUSE INTERIM COMMITTEE ON EDUCATION IN ATTENDANCE: Representative Ann Clemmer, Vice Chair; Representative Charles L. Armstrong; Representative Les Carnine; Representative John Catlett; Representative Bruce Cozart; Representative Robert Dale; Representative Gary Deffenbaugh; Representative Jody Dickinson; Representative Charlotte Vining Douglas; Representative Jon Eubanks; Representative Debra Hobbs; Representative Karen Hopper; Representative Sheilla Lampkin; Representative Mark Lowery; and Representative James Ratliff.

NON-VOTING MEMBERS OF THE HOUSE INTERIM COMMITTEE ON EDUCATION IN ATTENDANCE: Representative Randy Alexander; Representative Harold Copenhaver; Representative Jim Dotson; Representative Stephen Meeks; Representative Chris Richey; and Representative Jeff Wardlaw.

MEMBERS OF THE STATE AND PUBLIC SCHOOL LIFE AND HEALTH INSURANCE PROGRAM LEGISLATIVE TASK FORCE IN ATTENDANCE: Senator Jim Hendren, Chair; Representative Harold Copenhaver, Vice Chair; Senator Cecile Bledsoe; Senator Linda Chesterfield; Senator Jason Rapert; Senator David Sanders; Representative Bill Gossage; Representative Allen Kerr; Representative George McGill; and Representative Tommy Wren.

OTHER MEMBERS OF THE GENERAL ASSEMBLY IN ATTENDANCE: Senator Ronald Caldwell; Senator Jonathan Dismang; Senator Jimmy Hickey; Senator Bruce Maloch; Senator Bobby Pierce; Senator Bill Sample; Senator Jon Woods; Representative Bob Ballinger; Representative Scott Baltz; Representative Nate Bell; Representative Ken Bragg; Representative Mary Broadaway; Representative Jeremy Gillam; Representative David Hillman; Representative John Hutchison; Representative Kelley Linck; Representative Mark McElroy; Representative David Meeks; Representative Micah Neal; Representative Betty Overbey; Representative Sue Scott; Representative Nate Steel; Representative Tommy Thompson; and Representative Butch Wilkins.

Discussion of Issues Regarding Public School Employee Health Insurance

The Honorable Jim Hendren, State Senator, District 2, and Senate Chair, State and Public School Life and Health Insurance Program Legislative Task Force, was recognized. Senator Hendren stated the purpose of this meeting is to look at proposed funding changes recommended by the Task Force for the State and Public School Life and Health Insurance Program. He said one of the things considered by the Task Force was a way to recapture \$7 million in savings that would result from the removal of part-time employees from the plan. He noted the legal complexities involved in this funding recapture effort due to the health insurance funding provided

to school districts through the funding Matrix and the potential impact on Adequacy. He requested that the Bureau of Legislative Research (BLR) legal staff provide more information concerning education funding from a legal perspective.

Ms. Sarah Ganahl, Staff Attorney, Bureau of Legislative Research, was recognized. Ms. Ganahl reviewed the legal issues associated with the funding of public education in Arkansas.

Senator Hendren reviewed the recommendations of the Task Force to date, including eliminating part-time employees from eligibility, dependent eligibility verification, spousal exclusion, and bariatric surgery. He stated that although it is still a work in progress, substantial changes to the draft legislation were not anticipated. He indicated that conversations regarding a possible special session that would include public school employee health insurance legislation were ongoing with the Governor's Office.

Contributors to the Discussion:

Mr. Bob Alexander, Director, Employee Benefits Division, Arkansas Department of Finance and Administration
Mr. Mike Mertens, Assistant Executive Director, Arkansas Association of Educational Administrators
Mr. Tony Wood, Deputy Commissioner, Arkansas Department of Education

Issues Included in the Discussion:

- the funding Matrix and its complexities, legal and ministerial,
- getting FICA money back from schools and returned to the insurance pool,
- clarification that \$150 would stay with school districts,
- clarification of \$8.2 million estimate of FICA dollars derived from payment of premiums,
- mandating enrollment of new teachers,
- other options available to part-time employees if the private option is not funded,
- school districts that pay more than the minimum for health insurance premiums,
- the "family glitch" concept,
- concern about the private option being offered as a resolution to this process,
- number of employees being affected by eliminating part-time employees, and
- ability to leverage a better cost because of a large number of plan participants.

Handouts:

05/14/14 Health Insurance Task Force Actions
06/10/14 Draft Bill 1 Teacher Health Insurance
06/10/14 Draft Bill 2 Teacher Health Insurance

Presenter:

Ms. Nell Smith, Administrator, Policy Analysis and Research Section, Bureau of Legislative Research, was recognized. Ms. Smith discussed results of a school district survey conducted by the BLR as part of the 2014 Adequacy Study concerning teacher recruitment and retention. She reviewed the barriers to recruiting and retaining high quality teachers in a district, including difficulty in offering competitive salaries and the cost of health insurance.

Issue Included in the Discussion:

- accuracy of results because survey focuses on school district management rather than on teachers.

Handout:

Barriers to Teacher Recruitment and Retention, BLR, Memo

Recess:

Senator Key announced that there would be a recess until 10:30 a.m. in order to reboot the audio system.

Senator Key called the meeting back to order at 11:00 a.m.

Presenters:

Ms. Shelley Smith, Educator, Mountain View School District, was recognized. Ms. Smith asked the Task Force to be aware of the human cost involved in any decision that is made regarding health insurance. To this end, she introduced Mrs. Angie Robertson.

Mrs. Angie Robertson, Cafeteria Manager, Conway School District, was recognized. Mrs. Robertson presented testimony about her family's personal struggle for survival with balancing her yearly salary, take-home pay, and the high cost of insurance premiums.

Ms. Smith discussed the human costs associated with ever-increasing health insurance premiums and co-pays. She said that in the current proposal there is no provision to lower or stabilize health insurance costs for employees; the proposal only stabilizes the plan. She said there is no relief in sight from rising premiums, co-pays, and out-of-pocket costs. Ms. Smith provided the Task Force with the most recent issues and opinions that have grown out of public school employee experiences. She said teachers and school employees believe that long-term structural changes to the health insurance program are needed.

Issues Included in the Discussion:

- fees in provider contracts,
- fixing the short-term problem to stop escalating costs,
- grouping ASE and PSE employees together,
- makeup of the EBD Board reflecting the actual population it is serving,
- regional groups of districts that contract directly with insurance companies, and
- the three-legged stool in health insurance: employees, state, and the local level.

Senator Key requested that Mr. Bob Alexander of EBD respond to concerns posed in Ms. Smith's letter at a future meeting.

Handout:

05/26/14 Shelley Smith Letter

Presenter:

Mr. Ron Harder, Policy Service & Advocacy Director, Arkansas School Boards Association (ASBA), was recognized. Mr. Harder said the ASBA has consulted its Board of Directors with regard to the "family glitch" concept. He said, as a result, the ASBA as an organization cannot support the removal of part-time employees from eligibility. He discussed problems involved with unintended consequences coming out of the proposed legislation.

Contributors to the Discussion:

Mr. Bob Alexander, Director, Employee Benefits Division, Arkansas Department of Finance and Administration
Ms. Alix Stephens, Staff Attorney, Bureau of Legislative Research

Issues Included in the Discussion:

- ◆ concerns about the definition of a full-time employee,
- ◆ insurance coverage of part-time employees in school district policies,

- ◆ triggering a \$2,000 penalty in school districts for failure to offer insurance to all full-time employees,
- ◆ Affordable Care Act (ACA) and mandate regarding offering insurance to full-time employees and triggering penalties,
- ◆ special rule applied to counting public school employees and the look-back period to determine hours worked, and
- ◆ doing what needs to be done regarding funding at the local level to maintain health insurance.

Senator Hendren presented the Committees with a rundown of the next steps in this process.

A brief discussion among members followed regarding an update on estimated FICA savings, language in the draft legislation regarding bariatric surgery, and special language in the draft regarding funds going through the Matrix to school districts.

Next Scheduled Meetings:

Monday, July 14, 2014, at 10:00 a.m. in Room 171 of the State Capitol, Little Rock, *House and Senate Interim Committees on Education*

Tuesday, July 15, 2014, at 9:00 a.m. in Room 171 of the State Capitol, Little Rock, *House and Senate Interim Committees on Education*

Tuesday, July 15, 2014, at 1:30 p.m. in Room 171 of the State Capitol, Little Rock, *State and Public School Life and Health Insurance Program Legislative Task Force*

Adjournment:

The meeting adjourned at 12:12 p.m.